UNITED
NATIONS

S

Security Council

Distr.
GENERAL

S/23144
15 October 1991

ORIGINAL: ENGLISH

FINANCING OF THE UNITED NATIONS PEACE-KEEPING FORCE IN CYPRUS

Report of the Secretary-General

1. In its resolution 682 (1990) of 21 December 1990, the Security Council expressed its concern about "the chronic and ever-deepening financial crisis" facing the United Nations Peace-keeping Force in Cyprus (UNFICYP) and decided to consider "alternative arrangements for meeting the costs of the Force for which the United Nations is responsible, in order to place the Force on a sound and secure financial basis".

2. In paragraph 3 of its resolution 698 (1991) of 14 June 1991, the Security Council requested the Secretary-General "to hold consultations with members of the Council, troop-contributing countries and others concerned on the question of [the] costs [of UNFICYP], taking into account both the report of the United Nations Secretariat Review Team of 7 December 1990 and the report of the Group of Friends of the President of the Security Council of 31 May 1991, and to report to the Council by 1 October 1991" on the financing of UNFICYP. The purpose of the present report is to convey to the Council the results of an extensive series of consultations with members of the Council, troop-contributing countries and others concerned, together with my proposals on a possible means of placing UNFICYP on a sound and secure financial basis.

3. As the Secretariat Review Team observed in December 1990, "the present method of financing UNFICYP is most unsatisfactory" (S/21982, annex, para. 51). The chronic and recurrent financial crisis besetting UNFICYP has been described in successive reports I have issued, most recently document S/22665 of 31 May 1991. The Group of Friends of the President of the Security Council also agreed in its report that "all possible alternative methods of financing UNFICYP should be considered". On the subject of assessed contributions, the Group went on to conclude that:

> "One of the more viable methods for giving UNFICYP a sound and secure financial base would seem to be the adoption of a system of assessed contributions, either alone or in combination with various of the other options referred to. Some delegations expressed their readiness to proceed immediately with such a system. However, other members

considered that it is necessary to continue examining all aspects of the costs and financing of UNFICYP and the suggestions put forward during the work of the Group, before changing the present system."

4. Since I have repeatedly recommended the adoption of a system of assessed contributions as the most viable means for placing UNFICYP on a sound and secure financial footing, I have explored all possible means of reducing the costs of the Force to a level that the Security Council might be willing to finance under such a system. In its consultations, the Secretariat specifically examined the possibilities outlined by the Group of Friends for reducing the costs of UNFICYP and the possibilities for increasing income.

I. POSSIBILITIES OF REDUCING COSTS

5. The report of the Group of Friends identified the following possibilities for reducing the costs of UNFICYP:

(a) Reduction of troops;

(b) Reduction of troops with a seasonal increase;

(c) Replacement of current troops by other less expensive troops and change of structure;

(d) Transformation of UNFICYP into an observer mission;

(e) Abolition of humanitarian or economic work and the provision of services;

(f) Examination of operational costs;

(g) Examination and rationalization of extra and extraordinary costs.

The Secretariat examined each of these in turn.

A. Reduction of troops

6. The Secretariat has thoroughly explored the possibility of reducing the number of infantry battalions from four to three. As already described in the Review Team's report, the Secretariat takes the view that the present strength of UNFICYP "on the line" could not be reduced without seriously impairing UNFICYP's ability to carry out its mandate (S/21982, annex, para. 60). The recommendation of the Review Team that three battalions be increased by some 50 persons each, in order to offset the withdrawal of a fourth battalion, was intended to improve the ratio of line troops to support troops and thus fulfil the objective of reducing costs while maintaining adequate strength on the line.

7. In order to implement this recommendation, the Secretariat investigated the savings that would result if the contingent for which the highest "extra and extraordinary costs" are currently claimed was withdrawn and 50 additional personnel were added to each of the three remaining battalions. However, each of the Governments of these three contingents has either informed the Secretariat of its inability to provide another 50 personnel or has indicated that it could not do so unless it was reimbursed in full for the extra costs involved. In these circumstances, the Force Commander of UNFICYP was again asked to re-examine whether he could dispense with the additional 150 persons if one contingent were to be withdrawn. After due consideration, the Force Commander has confirmed that it would not be possible for him to maintain UNFICYP's effective functioning under its existing mandate without such an increase in personnel. It should be recalled that the strength of UNFICYP has been consistently reduced over the years; in the last decade, a reduction of some 350 military personnel, or about 20 per cent of the strength, has already been effected. The Force Commander's view coincides with that previously taken by the Review Team in its report (S/21982, annex, paras. 34 and 60). The inability of the Governments concerned to augment their contingents has, therefore, effectively eliminated the above option.

B. Reduction of troops with a seasonal increase

8. The possibility of reducing the troop strength of UNFICYP and augmenting it seasonally was discarded because of the practical impossibility of identifying a clear seasonal pattern and, consequently, of anticipating "seasonal" needs. UNFICYP's current strength and deployment take into account the vital importance of maintaining a reserve capacity to intervene at moments of increased tension, such as public demonstrations by civilians, which could arise at any time and could provoke serious incidents if not effectively controlled. The very unpredictability of such occurrences, the burden of additional transport costs and the logistical difficulties posed for troop-contributing countries render this option impossible to implement.

C. Replacement of current troops by other less expensive troops and change of structure

9. With regard to this option, it has to be pointed out that one of the unsatisfactory aspects of the current financial arrangements for UNFICYP is that they are inconsistent with the principle, established by the General Assembly in October 1973 and applied in all other peace-keeping operations, that all Governments that contribute troops to the United Nations are reimbursed at the same rate. As long as UNFICYP is not brought into line with other peace-keeping operations in this respect, it has to be admitted that the question of whether troops are more or less "expensive" has a certain relevance. However, it must be assumed that "less expensive troops" would come from countries that are even less able than the present contributors to tolerate the costs of contributing to UNFICYP under the existing financial arrangements, which provide no guarantee of reimbursement within a fixed period.

10. In the hope that the Security Council will now be ready to approve assessed funding for UNFICYP, albeit not on the basis of the General Assembly-approved rates of reimbursement, the Secretariat has identified an alternative arrangement, which would be less invidious than the search for "less expensive troops". That arrangement is described in paragraphs 21 and 22 below and consists essentially of a ceiling that troop-contributing Governments would voluntarily impose on their claims for reimbursement of troop costs. If assessed funding is approved by the Security Council, thus guaranteeing reimbursement in proper time, the effect would be to increase the number of Member States that could be expected to respond positively to requests from the Secretary-General to contribute troops to participate in UNFICYP.

D. Transformation of UNFICYP into an observer mission

11. This option was discussed in detail in the report of the Secretariat Review Team (S/21982, annex, paras. 55-58), which concluded that it could not be implemented in the prevailing circumstances in Cyprus. No subsequent developments give cause to change this assessment.

E. Abolition of humanitarian or economic work and the provision of services

12. This suggestion, made by some members of the Group of Friends of the President, was examined by the Secretariat. The economic and humanitarian activities undertaken by the Force derive from its original mandate in resolution 186 (1964), which entrusted it with the responsibility to promote "a return to normal conditions". The necessity for, and the importance of, these activities increased further as a result of the events of 1974 and the creation of the buffer zone, an area in which UNFICYP has special responsibilities (see S/12253, para. 19). The Force's economic activities are largely concerned with agriculture and industry inside the buffer zone and with public utilities that cross the buffer zone, while its humanitarian activities deal with Greek and Turkish Cypriots living amongst members of the other community.

13. It is the Secretariat's view that these are activities which are integral to UNFICYP's mandate, which UNFICYP is in the best position to perform and which it undertakes at minimal additional cost. The officers whose time is devoted to such activities (4 members of each battalion or a total of 16 out of some 2,150) are usually regular members of the contingents serving in UNFICYP; the abolition of these functions would not result in the withdrawal of the officers concerned from their battalions and would therefore provide no savings to the Force. The services provided, which are described fully in the report of the Secretariat Review Team (S/21982, annex, paras. 17-22), are functions that the Force has performed effectively and that also play a valuable role in winning local support for UNFICYP, thus enhancing its ability to fulfil its overall mandate. The abolition of these activities is not therefore recommended.

F. Examination of operational costs

14. The operational costs of the Force have been thoroughly examined by the Secretariat, which has been unable to identify any further changes that could result in a significant reduction of overall costs. It will be recalled (S/21982, annex, para. 48) that the present level of operational costs reflects considerable economies which have been implemented over the years. The costs for which the United Nations is responsible have been reduced by 7 per cent in dollar terms in the 10-year period from 1981 - a period in which inflation amounted to some 56 per cent. Bearing this in mind, the Force Commander has reiterated that UNFICYP has made all possible economies in its operations and that it would not be realistic to contemplate further savings in this area without a redefinition of UNFICYP's mandate and functions.

G. Examination and rationalization of extra and extraordinary costs

15. This was identified by the Group of Friends of the President as an important element in its consideration of the issue. It was accordingly the subject of consultations with representatives of the troop-contributing Governments, who have made it clear that their acceptance of a redefinition of "extra and extraordinary costs" along the lines set out in the present paper would be conditional upon a decision to finance UNFICYP through assessed contributions. They have also pointed out that, under present arrangements, troop-contributing States already bear a major proportion of the actual costs incurred as a result of their participation in UNFICYP.

16. From the inception of the Force in 1964, the troop-contributing Governments, in keeping with the then-prevalent practice followed in the United Nations Emergency Force (UNEF) and the United Nations Operation in the Congo (ONUC), have submitted to the United Nations their claims for not all, but certain, expenses that they deemed to be "extra and extraordinary costs" and for which they requested reimbursement. These claims were based on, and submitted in accordance with, individual agreements that had been concluded between the troop-contributing Governments concerned and the United Nations.

17. As provided for in these agreements, the "extra and extraordinary costs" for which the troop-contributing Governments currently seek reimbursement are determined by them. The items included in these costs vary among the troop-contributors. The Secretariat is not in a position to determine, in all cases, the specific cost pertaining to each item included, if such details are not provided in the invoices submitted by troop-contributors.

18. In view of concerns expressed by members of the Security Council about the wide variations in the costs claimed by different troop-contributors, the Secretariat has attempted, within the context of Security Council resolution 186 (1964) and in consultation with troop-contributing countries, a redefinition of "extra and extraordinary costs" that could apply in future to all contributors to UNFICYP. This redefinition appears at annex I to the

present report and will be applied should the Security Council decide to finance UNFICYP by assessed contributions.

II. POSSIBILITIES OF INCREASING INCOME

19. Under the above heading, the Group of Friends of the President of the Security Council identified the following possibilities:

(a) Increase in the contribution of Cyprus;

(b) Other possibilities of income;

(c) Increase in voluntary contributions.

20. The Secretariat considered the above options carefully. While I have consistently appealed for an increase in voluntary contributions, the trend in recent years has been markedly towards a systematic decrease in the number of contributions and the amounts received. Nor have other sources of increased income proved possible to identify. The issue of an increase in the contribution of the Government of Cyprus was, however, raised with the Permanent Representative to the United Nations of that country. While expressing sympathy with the intention behind the request, the Permanent Representative pointed out that his country was already paying more in percentage terms than the host Government of any other peace-keeping operation. In the current year, Cyprus had made a substantial provision of $US 2.7 million in its budget for UNFICYP-related expenses, including an amount of $1 million provided as a cash contribution. The Secretariat, he said, could not therefore reasonably expect the Government of Cyprus to augment what was already a considerable contribution to UNFICYP's activities.

III. CONCLUSION

21. In view of the above, the Secretariat has sought to explore the only remaining possibility for a reduction of UNFICYP's costs - i.e., to retain the present structure and composition of the Force, but to request the Government with the highest current rate of claims to reduce its request for reimbursement to the level of the other comparable contributor. The Government concerned has considered this request and has advised the Secretariat that it would be "prepared to contribute positively to finding a solution" in this manner. It has, however, stipulated that its willingness to reduce its claims would be conditional on three factors: that the Security Council decides to move to assessed contributions; that the accumulated arrears to Member States continue to be paid in accordance with existing practice, it being understood that arrears would only be paid from future voluntary contributions received for this purpose; and that its undertaking to stay in UNFICYP on these new terms would not commit it beyond 1 January 1993.

22. Should the above conditions be acceptable to the Security Council, it is the Secretariat's understanding that three other Governments who provide small numbers of personnel to UNFICYP would also accept a similarly reduced rate of reimbursement, provided that this was linked to the adoption of assessed contributions, that it was not retroactive and did not affect past claims, and that the reduced rate did not constitute a precedent for any future peace-keeping operation. On this basis, the cost of UNFICYP for 1991, based on the current cost estimates and incorporating the revised claim calculations for the four contingents concerned, would amount to approximately $21.8 million, a reduction of some $9.0 million, i.e., 29.2 per cent. Details of the revised cost estimates are provided in annex II to the present report.

23. As members of the Security Council are aware, I have repeatedly expressed my concern about the grave financial situation of UNFICYP. Even though the United Nations share of the overall costs of the Force is less than a third, receipts of voluntary contributions have continued to fall far short of even this level. As a result, reimbursements to troop-contributing countries have been unconscionably delayed; the most recent reimbursement related to claims in respect of the first half of 1981. It is most unfair that troop-contributing countries, who already bear a considerable burden as a result of their participation in the Force, should have to absorb such a disproportionate share of the costs of UNFICYP.

24. The vital peace-keeping role of UNFICYP has been unanimously stressed by the Security Council in its repeated renewals of the Force's mandate. The Force's indispensable role in maintaining calm on the island, a condition essential to my ongoing efforts to assist the parties to reach a political settlement, is not in dispute.

25. As the Security Council has repeatedly recognized - notably in its resolutions 682 (1990) and 698 (1991), and in reaffirming the statement by its President of 30 May 1990 (S/21323) emphasizing that United Nations peace-keeping operations must be launched and maintained on a sound and secure financial basis - the present financial arrangements need urgently to be revised. For these reasons, and given the unsatisfactory and unjust nature of present arrangements, I should like to reiterate my long-standing recommendation that the Council approve the funding of the costs of UNFICYP from 1 January 1992 through assessed contributions on the peace-keeping scale.

Annex I

UNFICYP: redefinition of "extra and extraordinary costs"

1. As indicated in paragraph 18 of the present report, the Secretariat, in consultation with troop-contributing countries, has redefined "extra and extraordinary costs" as costs that a troop-contributing Government is obliged to incur, in respect of personnel costs and equipment costs, as defined below, over and above those costs that the Government concerned would have been obliged to meet in any event and that would not have been incurred if the same number of personnel had been stationed in the home country. Under this formula, only the following items would be included in Governments' claims for extra and extraordinary costs.

2. The personnel costs comprise the following:

(a) Overseas allowances, based on established national scales, as distinct from basic salaries for regular army personnel. Overseas allowances are those allowances paid by Governments to cover the additional costs and inconveniences that personnel incur while serving overseas. These are sometimes referred to as "foreign allowances", "special allowances", "expatriation allowances" or "hardship allowances". Certain Governments contribute personnel not drawn from their regular army, i.e., volunteer units recruited specifically to serve with UNFICYP. It is proposed that even in such cases, the reimbursement of extra and extraordinary costs would be limited to the elements described herein;

(b) Preparation costs. Extra costs that arise in the preparation of troops for participation in UNFICYP, such as transportation within the home country to and from embarkation points, medical examinations, inoculations, travel papers, etc.

3. The equipment costs comprise the following:

(a) Special issues of personal clothing and personal equipment that may be peculiar to the UNFICYP operation and which are not provided by the United Nations;

(b) Special issues of battalion equipment furnished at the request of the United Nations;

(c) Other stores and expendable supplies as deemed necessary and not provided by the United Nations.

4. Procedures would be instituted under which the United Nations would agree, on the basis of consultations with the troop-contributing States, to the appropriate level of equipment that would accompany the contingents. Claims would be reviewed by the United Nations for reimbursement against these agreed levels.

5. In the past, the extra costs to Governments arising from the payment of death and disability awards have been reimbursed immediately but budgeted for under "extra and extraordinary costs". It is proposed that in future it would be more logical for the reimbursement of such costs to be treated in the budget as an operational cost.

Annex II

UNFICYP: 1991 revised cost estimates

UNFICYP cost estimate by major category of expenses

(In thousands of United States dollars)

I.	Operational costs incurred by the United Nations	
	Movement of contingents	580
	Operational expenses	3 440
	Premises (maintenance, utilities, etc.)	1 492
	Rations	1 930
	Non-military personnel, salaries, travel, etc.	6 458
	Miscellaneous and contingencies	500
	Death and disability	200
	Total I	14 600
II.	Reimbursement of extra costs of Governments providing contingents	
	Personnel costs: overseas allowances and preparation costs	6 540
	Equipment costs	660
	Total II	7 200
	Grand total (I and II)	21 800